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FISCAL IMPACT STATEMENT

LS 7371

BILL NUMBER: HB 1499

NOTE PREPARED: Jan 8, 2005

BILL AMENDED:

SUBJECT: Sales taxation of rebates.

FIRST AUTHOR: Rep. Buck

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that in certain retail transactions gross retail income does not include an amount equal to a manufacturer's rebate unless the rebate is made directly available to the purchaser. This bill also applies the exclusion to transactions in which a manufacturer's rebate exceeding \$250 is provided in a retail sale of an automobile, a motorcycle, a truck, a trailer, a semitrailer, a tractor, a bus, a school bus, a recreational vehicle, a motorized bicycle, an all terrain vehicle, a watercraft, an aircraft, or an implement of husbandry.

Effective Date: July 1, 2005.

Explanation of State Expenditures: This bill may have an administrative cost impact on the Department of State Revenue. It is presumed that the Department could use existing staff and resources to cover the increase in administrative costs.

Explanation of State Revenues: This bill's impact on state Sales Tax revenue is indeterminable. This bill allows a seller to deduct from the taxable selling price the value of a manufacturer's rebate if:

- (1) it exceeds \$250;
- (2) is made directly available to the purchaser; and
- (3) is provided in retail sale of an automobile, a motorcycle, a truck, a trailer, a semitrailer, a tractor, a bus, a school bus, a recreational vehicle, a motorized bicycle, an all terrain vehicle, a watercraft, an aircraft, or an implement of husbandry.

By allowing the seller to deduct these rebates from the taxable selling price, this bill is excluding the value of these rebates from the state's 6% Sales Tax. Excluding these rebates will result in an indeterminable decrease in Sales Tax revenue. The decrease in revenue ultimately depends upon the value and number of these rebates made available by the manufacturer's and paid directly to the merchant.

The two examples below illustrate the provisions of this bill.

Sticker Price	\$10,000	Taxable
Seller Discount	\$500	Excluded
Trade-in value	\$1,500	Excluded
Manufacturer rebate paid to the <i>CONSUMER</i>	<i>\$1,000</i>	<i>TAXABLE</i>
Taxable selling price	\$8,000	
Sales Tax @ 6%	\$480	

Sticker Price	\$10,000	Taxable
Seller Discount	\$500	Excluded
Trade-in value	\$1,500	Excluded
Manufacturer rebate paid to the <i>SELLER</i>	<i>\$1,000</i>	<i>EXCLUDED</i>
Taxable selling price	\$7,000	
Sales Tax @ 6%	\$420	

Current law does not allow a seller to exclude any kind of manufacturer's rebate.

Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Tom Conley, 317-232-2107, Department of State Revenue; *Information Bulletin #28*, January, 2005.

Fiscal Analyst: Adam Brown, 317-232-9854.